Form DOT F 1320.1 (1-68)

UNITED STATES GOVERNMENT

Memorandum

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE SECRETARY

DATE: September 3, 1975

SUBJECT: Morgantown, West Virginia University Personal Rapid Transit System

In reply refer to:

FROM : Assistant Secretary for Administration

TO : The Secretary

On May 31, 1973, the UMTA Administrator submitted an acquisition paper on the Morgantown Personal Rapid Transit project to the Transportation System Acquisition Review Council (TSARC). The paper is attached as Tab A. Approval was requested through Phase IB of the program. As stated in the acquisition paper, the Morgantown program, due to funding constraints and a significant cost growth from original estimates, was separated into three phases. They were:

Phase IA - construction of a three station, five vehicle system with limited software and associated equipment to test the technical feasibility of the system.

Phase IB - provisioning for and demonstration of a fully operational three station system in revenue service, including all previously deferred items from Phase IA, addition of 40 more vehicles, operational software, and expanded maintenance facilities.

Phase II - expansion of the system to its six station, 70 vehicle configuration by means of a capital grant to West Virginia University.

At that time, the estimated cost of Phase IA was $41,555,000; the estimate for Phase IB was $20,380,000; and the estimate for Phase II was $30,000,000. In addition to these three phases, there had been a pre-Phase I stage which cost $2,222,000. The total estimated cost of the project through Phase IB was $64,157,000, and $94,157,000 through Phase II.

The Deputy Secretary, in a memorandum dated July 26, 1973, conditionally approved Phase IB. The memorandum is attached as Tab B. Approval was granted upon the condition that the agreement between West Virginia University and the Government be renegotiated to ensure that the university would accept and operate the system as delivered by Boeing. No approval was granted to expand Phase IB beyond the description contained in the acquisition paper, and no approval was granted to commence Phase II.

On May 21, 1975, the UMTA Administrator announced at a press conference that UMTA intended to provide $5,037,900 to assist West Virginia University to start-up and debug the Morgantown system. In addition, assistance would be provided for the architectural and engineering design of an expanded five station system configuration. The funds would be provided through a $3.8 million capital grant and a $1.2 million demonstration grant. Since these grants were not a part of the approved Phase IB and would exceed the funding level as approved by the Deputy Secretary, I sent a memorandum to UMTA requesting clarification. My memorandum and the UMTA Administrator's press announcement are attached as Tab C.

On July 25, 1975, the UMTA Administrator submitted an amendment to the Morgantown acquisition paper. This is attached as Tab D. The paper cited plans to support two capital grant projects valued at more than $57 million. My staff had several questions regarding the amendment, the principal ones concerned the failure to provide details on the proposed capital grants for $3.8 million and $53.8 million which are cited in the paper. These questions were discussed with UMTA representatives. In answer to our questions, they forwarded a copy of the agreement which the UMTA Administrator had reached with the university. This agreement is attached as Tab E. It contained the same proposed developments as were listed in the amended acquisition paper. The UMTA staff members were reluctant to provide additional information because they believed that, since the agreement had been approved by high level Departmental officials, the need for a TSARC review had been superseded. They thought that the issues we were raising had been settled under the terms of the agreement. The UMTA Administrator expressed this view to you in his memorandum of August 22, 1975. This memorandum is attached as Tab F.

Subsequently, I was advised that Frank Herringer had discussed this matter with you shortly after you assumed your office, at a meeting attended only by you, Mr. Herringer, and other UMTA personnel. You, I am told, authorized UMTA to proceed in the manner reflected in the agreement in Tab E.

Unless you can confirm that it was your decision for UMTA to proceed as it did after you were briefed fully on the issues involved, I do not believe that this matter should be treated as an accomplished fact. The proposed expenditure of approximately $60,000,000 on this controversial project requires at least the same type of review that is given to less costly and less controversial programs. The signed agreement does not eliminate questions concerning the authority to enter into such an agreement, the bypassing of established Departmental procedures, and the basis for the projected system configuration and costs. I still have many problems regarding this project; problems that I believe should be addressed before further commitments are made on this project. These are:

1. No evidence has been forwarded that the UMTA decision to build a five station system is consistent with the proposed policy you announced on August 1, 1975, regarding major investments and the selection of the cost-effective alternative.

2. No cost analysis has been presented which supports the proposed capital grant cost estimates.

3. The TSARC review process was not followed in this instance.

4. No documentation has been submitted which justifies awarding a $55,000,000 grant for a fixed guideway system to a community of approximately 30,000 residents.

5. No proposal has been forwarded which assigns the priority that will be given to the university's major capital grant application in relation to the priorities assigned to grant requests made by other applicants.

6. The question has not been addressed whether the UMTA Administrator can, without GSA approval, give the Government-owned three station system to the university.

7. No documentation has been presented which describes how the university plans to provide its 20% matching share for the two capital grants, and how the share will be increased if a significant cost growth occurs.

8. No information has been submitted which explicitly demonstrates that Boeing is obligated to deliver a system which will meet the performance specifications the university is requiring.

9. No alternative project has been proposed which would be implemented if the engineering estimates developed under the initial capital grant exceed $53.8 million.

10. The proposed $53.8 million cost constraint does not appear to effectively limit UMTA's participation in the construction of the Phase II system.

11. If the performance specifications are not met during the first year's operation, it appears that the university can unilaterally decide at that time whether to continue testing for a second year or to remove the system.

12. No data has been presented which indicate the level of confidence UMTA has, and on what basis, that the Phase IB system will meet the required performance specifications.

13. No description has been forwarded which defines the additional demonstration data that will be provided from the five rather than the three station system.

I believe that this undertaking is too important to forego top management review, and that UMTA should fully define and justify its proposed course of action. I recommend that the TSARC review process be used, and that the UMTA request for waiver be denied. However, if there are circumstances that favor bypassing TSARC, I recommend that UMTA brief you to fully explain why and how it plans to handle the Morgantown project. Without a full disclosure, I believe this Department will be uninformed on a project that has, and probably will continue to cause us problems.

William S. Heffelfinger

Attachments

Approve Waiver_____

Approve Waiver,
Require Complete Briefing_____

Deny Waiver,
Require Acquisition Plan_____

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